

Courtesy Translation

Corporations established in Québec are required to communicate with Revenu Québec in French. For this reason, Revenu Québec does not produce an English version of the forms to be used by corporations. However, Revenu Québec provides translations of the content of the forms for information purposes.

Life Insurance Corporation Calculation of the Tax on Capital

Corporations covered by form CO-1175.4

Form CO-1175.4 is to be completed by any life insurance corporation (also referred to as a "life insurer" in the *Taxation Act* and in this form) that carried on business in Québec at any time in a particular taxation year and that is required to pay tax on its taxable capital employed in Québec for a taxation year that began after September 30, 2006.

Important

- If the corporation has more than one foreign insurance subsidiary, complete a separate copy of section 2.2 for each such subsidiary.¹
- To calculate the capital and taxable capital of the corporation, you must use the amounts shown on the balance sheet accepted by the Superintendent of Financial Institutions, in the case of a life insurer that is required to report to that person. If such is not the case, use the amounts shown on the balance sheet presented to the shareholders of the corporation and prepared in accordance with generally accepted accounting principles (GAAP) (or the amounts that would have been shown on such a balance sheet had one been prepared).
- Form CO-1175.4 must be enclosed with the *Déclaration de revenus des sociétés* (form CO-17).
- For further information, see sections 1175.1 to 1175.19 of the *Taxation Act*.

1 Information about the corporation

01a Québec enterprise number (NEQ)
01b Identification number File (**IC 0001**)
02 Name of corporation
05 End date of fiscal period (**Y M D**)

2 Amount used to calculate the taxable capital of a corporation resident in Canada

Complete Part 2 if the corporation is resident in Canada. If the corporation is not resident in Canada, go to Part 3.

2.1 Corporation's capital

6 Long-term debt
7 Retained earnings
8 Contributed surplus and any other surplus
11 Capital stock or, in the case of a life insurer incorporated without share capital, the amount of its members' contributions
12 Add lines 6 through 11.
13 Future tax assets
14 Deficit deducted in calculating net shareholders' equity
15 Add lines 13 and 14.
16 Subtract line 15 from line 12. **Corporation's capital**

2.2 Amount determined for the year in respect of the capital of the corporation's foreign insurance subsidiaries

Complete section 2.2 if the corporation has one or more foreign insurance subsidiaries.² Complete lines 20 through 36 of section 2.2 on a separate copy of form CO-1175.4 for each of the corporation's foreign insurance subsidiaries. However, the total obtained after adding line 36 from all such copies must be entered on line 37 of only one copy of the form.

20	Long-term debt
21	Retained earnings
22	Contributed surplus and any other surplus
25	Capital stock or, in the case of a life insurer incorporated without share capital, the amount of its members' contributions
26	Add lines 20 through 25.
27	Future tax assets
28	Deficit deducted in calculating net shareholders' equity
29	Add lines 27 and 28.
30	Subtract line 29 from line 26. Subsidiary's capital for its last taxation year that ended no later than the end date of the corporation's taxation year, calculated as though the subsidiary had been resident in Canada throughout its taxation year
31	Amount from line 30
32	Amount included in the capital of the subsidiary in respect of a share of its capital stock ³
33	Amount included in the capital of the subsidiary in respect of its long-term debt ⁴
34	Amount included in the capital of the subsidiary in respect of a surplus ⁵
35	Add lines 32 through 34.
36	Subtract line 35 from line 31. If the result is negative, enter 0.
37	Total of the amounts from line 36 of each separate copy completed for a subsidiary Amount determined for the year in respect of the capital of the corporation's foreign insurance subsidiaries

2.3 Amount used to calculate taxable capital

38	Corporation's capital (amount from line 16)
39	Amount determined for the year in respect of the capital of the corporation's foreign insurance subsidiaries (amount from line 37)
40	Add lines 38 and 39.
41	Total reserve liabilities ⁶
42	Total reserve liabilities of the foreign insurance subsidiaries ⁷
43	Add lines 41 and 42.
44	$\text{Amount from line 40} \quad \times \quad \frac{\text{Canadian reserve liabilities}^8}{\text{Amount from line 43}}$
	Amount used to calculate taxable capital

3 Amount used to calculate the taxable capital of a corporation not resident in Canada

Complete Part 3 if the corporation is not resident in Canada.

3.1 Surplus funds derived from operations

45	Surplus funds derived from operations at the end of the taxation year, calculated as though the corporation did not have to pay tax as a large corporation or financial institution, or tax on capital ⁹
46	Amount for which the corporation had to pay additional federal tax as a non-resident corporation (branch tax) for a previous taxation year or for which it would have had to pay such a tax had it not elected to defer the tax at the time of the corporation's transfer outside Canada ¹⁰
47	Amount for which the corporation had to pay a branch tax for the year, or for which it would have had to pay such a tax had it not elected to defer the tax at the time of the corporation's transfer outside Canada
48	Add lines 46 and 47.
49	Subtract line 48 from line 45.
50	Enter the allocated surplus or the amount from line 49, whichever is greater . Surplus funds derived from operations

3.2 Amount used to calculate taxable capital

57	Surplus funds derived from operations (amount from line 50)
58	Any other surplus related to the corporation's insurance businesses carried on in Canada
59	Portion of the corporation's long-term debt related to its Canadian insurance businesses
61	Add lines 57 through 59. Amount used to calculate taxable capital

4 Corporation's taxable capital

65	Amount used to calculate taxable capital (amount from line 44 or line 61, as applicable)		
66	Amount of the capital allowance from either		
	<ul style="list-style-type: none"> Part 5 of form CO-1175.4, if the corporation is not, at the end of the taxation year, related to another life insurer that carries on business in Canada; or Part 2 of form CO-1175.13, <i>Entente relative à l'exemption de capital entre les membres d'un groupe lié d'assureurs sur la vie</i>, if the corporation is related, at the end of the taxation year, to another life insurer that carries on business in Canada. 		
67	Subtract line 66 from line 65. If the result is negative, enter 0.		

68	Amount from line 67	x	$\frac{\text{Business carried on in Canada, outside Québec}^{11}}{\text{Business carried on in Canada}^{12}}$
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69	Subtract line 68 from line 67. Corporation's taxable capital
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5 Capital allowance

Complete this part if the corporation is not, at the end of the taxation year, related to another life insurer that carries on business in Canada.

75	10,000,000	
76	Enter the lesser of the following amounts:	
	<ul style="list-style-type: none"> the amount used to calculate taxable capital (amount from line 65) \$50,000,000 	
77	10,000,000	
78	Subtract line 77 from line 76. If the result is negative, enter 0.	50%
79	Enter the lesser of the following amounts:	
	<ul style="list-style-type: none"> the amount from line 65 \$100,000,000 	
80	50,000,000	
81	Subtract line 80 from line 79. If the result is negative, enter 0.	25%
82	Enter the lesser of the following amounts:	
	<ul style="list-style-type: none"> the amount from line 65 \$300,000,000 	
83	200,000,000	
84	Subtract line 83 from line 82. If the result is negative, enter 0.	50%
85	Amount from line 65	
86	300,000,000	
87	Subtract line 86 from line 85. If the result is negative, enter 0.	75%
88	Add lines 75, 78, 81, 84 and 87. Enter the result on line 66. Capital allowance	

6 Tax on capital payable

92	Corporation's taxable capital (amount from line 69)	x	Number of days in the taxation year 365	x	1.25%
93	Deduction for a major investment project ¹³				
94	Subtract line 93 from line 92.				
95	Income tax payable for the taxation year (amount from line 422a of form CO-17)				
96	Total of lines 440p through 440y of form CO-17				
97	Subtract line 96 from line 95.				
98	Subtract line 97 from line 94. If the result is negative, enter 0. Carry the result to line 434a of form CO-17.				
	Tax on capital payable				

Notes

1. A subsidiary is a corporation of which not less than 90% of the issued and outstanding shares of each class of the capital stock belong to
 - the parent corporation;
 - a corporation that is a subsidiary of the parent corporation; or
 - any combination of two or more of the corporations described in the above bullets.
2. A foreign insurance subsidiary is a corporation that, at a particular time,
 - is a subsidiary of the life insurer;
 - is not resident in Canada;
 - carried on a life insurance business throughout its last taxation year ending at or before the particular time;
 - did not carry on a life insurance business in Canada at any time during its last taxation year;
 - is not a subsidiary of another corporation resident in Canada that carried on a life insurance business in Canada at any time in its last taxation year ended at or before the particular time and that is a subsidiary of the life insurer.
3. Enter an amount on line 32 if the subsidiary is held by any of the following persons:
 - the life insurer
 - a subsidiary of the life insurer
 - any other corporation that
 - is resident in Canada
 - carried on a life insurance business in Canada at any time in its last taxation year ending no later than the end of the taxation year of the life insurer, **and**
 - is either a corporation of which the life insurer is a subsidiary, or a subsidiary of such a corporation
 - a subsidiary of a corporation described in the previous bullet
4. See note 3.
5. See note 3.
6. For a taxation year that began after December 31, 2010, total reserve liabilities are calculated as follows:

A – B, where

A is the life insurer's total liabilities and reserves at the end of the taxation year in respect of all its insurance policies, other than liabilities and reserves related to a segregated fund, as determined for the purposes of the Superintendent of Financial Institutions, **and**

B is the aggregate of all amounts of reinsurance recoverable under section 818R53 of the *Regulation respecting the Taxation Act*.
7. The total reserve liabilities of the foreign insurance subsidiaries of a life insurer correspond to the aggregate of all amounts each of which would be the total reserve liabilities of such a subsidiary at the end of the subsidiary's last taxation year ending at or before the end of the life insurer's taxation year, if the subsidiary were required to report to the Superintendent of Financial Institutions for that year.
8. The Canadian reserve liabilities of a life insurer correspond to the aggregate of its liabilities and reserves at the end of a particular taxation year, in respect of the aggregate of its insurance policies in Canada, excluding its liabilities and reserves in respect of an amount payable out of a segregated fund, as determined at the end of the year for the purposes of the Superintendent of Financial Institutions, or that would be determined at that time if the Superintendent of Financial Institutions required such a determination.
9. The term "surplus funds derived from operations" is defined under paragraph (l) of section 835 of the *Taxation Act*. Note that the amount entered on line 45 must not include either the tax on capital payable under Part VI.1 of the *Taxation Act* or the income tax payable under Part I.3 or Part VI of the *Income Tax Act* (Statutes of Canada).
10. Do not include on this line any amount for which taxes were or would have been payable under subparagraph 219(4)(a)(i.1) of the *Income Tax Act* (Statutes of Canada).
11. Enter the total amount of net premiums in respect of insurance other than on property and derived from contracts with persons residing in Canada but outside Québec.
12. Enter the total amount of net premiums in respect of insurance other than on property and derived from contracts with persons residing in Canada.
13. Any corporation that receives a tax exemption for a major investment project may also claim a deduction when calculating its tax on capital. This deduction is calculated, under the conditions provided for in section 1175.4.1 of the *Taxation Act*, taking into account the variation between
 - the corporation's total payroll for the period in which it carried on eligible activities and which ended in the taxation year; and
 - its total payroll for the base year.

If the life insurer wishes to claim this deduction, it must enclose with form CO-1175.4 a copy of both the initial qualification certificate and the annual qualification certificate that were issued to it, in respect of the major investment project, by the Minister of Finance or the Minister of Finance and the Economy.